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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 8, 2001

APPLICATION OF

SHENANDOAH VALLEY ELECTRIC
COOPERATIVE

CASE NO. PUE000747

For a general rate increase

APPLICATION OF

SHENANDOAH VALLEY ELECTRIC
COOPERATIVE

CASE NO. PUE000748

For approval of a functional
separation plan

ORDER FOR NOTICE AND COMMENT AND
ESTABLISHING REVISED PROCEDURAL SCHEDULE

On December 29, 2000, Shenandoah Valley Electric Cooperative ("Shenandoah" or "the Cooperative") filed with the State Corporation Commission its Application of Shenandoah Valley Electric Cooperative For Approval of a Functional Separation Plan Pursuant to Virginia Code § 56-590 (hereinafter "Separation Plan Application"). According to the Separation Plan Application, at 1, 3, the Cooperative made this filing in accordance with § 56-590 B 2 of the Code of Virginia and the Commission's Regulations Governing the Functional Separation of Incumbent Electric Utilities Under the Virginia Electric Utility

Restructuring Act ("Functional Separation Regulations"),
20 VAC 5-202-10 et seq.

By letter to the Clerk of the Commission filed January 5, 2001, the Cooperative requested a waiver of 20 VAC 5-202-40 B 7, which requires cost-of-service studies as part of an application for approval of a functional separation plan. In support of the request, Shenandoah stated that it intended to use cost-of-service studies filed in Application of Shenandoah Valley Electric Cooperative, For a General Rate Increase, Case No. PUE000747 ("the Rate Increase Application"), to support its functional separation plan. The Cooperative also noted that it had moved in Case No. PUE000747 for a protective order that would require confidential treatment of the cost-of-service study. Shenandoah requested that any confidential conditions for the study set in Case No. PUE000747, the Rate Increase Application, apply in this proceeding as well.

As required by the Functional Separation Regulations, 20 VAC 5-202-40 B 8, Shenandoah filed its proposed unbundled rates, terms, and conditions. (Separation Plan Application at 12-13, 15 and Appendix B) The proposed unbundled rates include a wires charge filed pursuant to §§ 56-583 and 56-584 of the Code of Virginia. (Separation Plan Application at 7-10) The Cooperative also addressed default service provided pursuant

to § 56-585 E of the Code of Virginia. (Separation Plan Application at 3, 10-11)

Upon consideration of the Cooperative's Functional Separation Application and applicable statutes and regulations, the Commission finds that this matter should be docketed and that an investigation should be commenced. As provided by the Functional Separation Regulations, 20 VAC 5-202-50 A, the Commission will grant the requested waiver of the requirement to file cost-of-service studies as part of an application. The studies filed in the Rate Increase Application, Case No. PUE000747, will be incorporated by reference in this proceeding.

In our Order for Notice and Hearing of January 19, 2001, in the Rate Increase Application Case, No. PUE000747, the Commission referred the Cooperative's pending Motion for Protective Order filed December 29, 2000, to the hearing examiner. As requested by Shenandoah in its letter filed January 5, 2001, and noted above, the disposition of that motion will control access to the studies for this proceeding as well.

The Commission will direct the Staff to investigate the Cooperative's functional separation application and to present its findings in a report. The Commission finds that Shenandoah should give notice of this application and that interested persons should have an opportunity to comment on the functional

separation plan and to request a hearing. We will require notice consistent with the Commission's Rules Governing Streamlined Rate Proceedings and General Rate Proceedings for Electric Cooperatives Subject to the State Corporation Commission's Rate Jurisdiction ("Cooperative Rate Rules"), 20 VAC 5-200-21.

As noted, by order of January 19, 2001, in the Rate Increase Application, Case No. PUE000747, as corrected by order of January 24, 2001, the Commission directed the Cooperative to give notice of its rate increase application and scheduled that matter for hearing on June 26, 2001. The Commission finds that the functional separation plan should be considered in conjunction with the Rate Increase Application, Case No. PUE000747. We will reschedule the hearing set for June 26, 2001, and revise the procedural schedule established for the Rate Increase Application Case No. PUE000747. If a request for a hearing is granted, as provided below, the Commission's hearing examiner will also hear evidence related to Shenandoah's functional separation plan on the rescheduled hearing date, unless the hearing examiner finds good cause for setting another date for hearing.

Accordingly, IT IS ORDERED THAT:

(1) As provided by § 56-590 B 2 and related provisions of the Code of Virginia, this matter be docketed and assigned Case No. PUE000748.

(2) As provided by the Functional Separation Regulations, 20 VAC 5-202-50 A, Shenandoah be granted a waiver of 20 VAC 5-202-40 B 7 as discussed in this Order.

(3) As provided by § 12.1-31 of the Code of Virginia and Rule 7:1, 5 VAC 5-10-520, of the Commission's Rules of Practice and Procedure ("the Rules"), a hearing examiner be appointed to conduct further proceedings on behalf of the Commission and to file a final report with the transcript of this proceeding.

(4) Forthwith upon receipt of this Order, Shenandoah shall make available for inspection at its offices during regular business hours copies of its application, this Order, and all other materials filed in this Case No. PUE000748. Upon receipt by Shenandoah's counsel, M. Renae Carter, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030, of written requests from interested persons, the Cooperative shall provide copies of the Functional Separation Application.

(5) On or before February 20, 2001, Shenandoah shall serve a copy of this Order on all parties of record appearing in the Cooperative's last rate case and all officials listed in the

Cooperative Rate Rules, 20 VAC 5-200-21 D 2 h, in the manner prescribed by that rule.

(6) On or before April 10, 2001, any interested person wishing to comment on Shenandoah's Functional Separation Application, Case No. PUE000748, or desiring a hearing in this matter, shall file an original and fifteen (15) copies of such written comments and request for hearing with Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall refer to Case No. PUE000748. A copy of such comments or request for hearing shall simultaneously be sent to counsel for Shenandoah, M. Renae Carter, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030. Any request for hearing shall detail reasons why such issues cannot be adequately addressed in written comments. The hearing examiner shall consider any requests for a hearing filed pursuant to paragraph below and make any necessary rulings. If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decisions based upon papers filed in this proceeding.

(7) Rule 6:4, Interrogatories to Parties or Requests for Production of Documents and Things, 5 VAC 5-10-480, of the Rules shall be modified for this proceeding. (i) Answers and objections shall be served within ten (10) days after receipt of

interrogatories. (ii) Special motions upon the validity of any objections raised by answers shall be filed within five (5) working days of receipt of the objection. (iii) Answers, objections, and special motions shall be served by 3:00 p.m. of the due date, unless the Staff or party upon whom service must be made agrees in advance to other arrangements. Except as so modified, discovery shall be in accordance with the Rules.

(8) Ordering paragraphs **(3), (9), and (10)** of the Order for Notice of January 19, 2001, in the Rate Increase Application, Case No. PUE000747, **ARE VACATED**.

(9) The public hearing scheduled for June 26, 2001, at 10:00 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia, in the Rate Increase Application, Case No. PUE000747, is rescheduled to July 24, 2001, at 10:00 a.m. at the same location.

(10) The Commission Staff shall investigate Shenandoah's Rate Increase Application, Case No. PUE000747, and its Functional Separation Application, Case No. PUE000748, and, on or before June 29, 2001, shall file with the Clerk an original and fifteen (15) copies of the testimony and exhibits the Staff intends to present at the hearing in Rate Increase Application, Case No. PUE000747, and a report presenting its findings and recommendations in the Functional Separation Application, Case

No. PUE000748, and shall serve one (1) copy on counsel to Shenandoah and on all other parties.

(11) On or before July 10, 2001, Shenandoah may file with the Clerk an original and fifteen (15) copies of all testimony it expects to offer in rebuttal to all direct testimony and exhibits of Commission Staff and protestants filed in the Rate Increase Application, Case No. PUE000747 and any comments on the Staff's report in Functional Separation Application, Case No. PUE000748, and shall serve one (1) copy on all other parties. Additional rebuttal evidence may be presented in response to evidence which was not filed but elicited at the hearing, if the need for additional rebuttal evidence is timely addressed by motion during the hearing.

(12) On or before February 20, 2001, Shenandoah shall publish the following notice as display advertising (not classified) once in newspapers of general circulation in its service territory:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
SHENANDOAH VALLEY ELECTRIC COOPERATIVE FOR
APPROVAL OF A FUNCTIONAL SEPARATION PLAN AND
REVISED HEARING DATE ON ITS APPLICATION FOR
A GENERAL RATE INCREASE
CASE NO. PUE000748
CASE NO. PUE000747

On December 29, 2000, Shenandoah Valley Electric Cooperative ("Shenandoah" or the "Cooperative") filed with the State Corporation Commission ("Commission") an application for approval of a plan to

separate functionally generation, transmission, and distribution services as required by the Virginia Electric Utility Restructuring Act, §§ 56-576 through 56-595 of the Code of Virginia. The Cooperative also filed proposed unbundled rates and charges and revised terms and conditions. The unbundled rates and charges include a wires charge filed pursuant to §§ 56-583 and 56-584 of the Code of Virginia. The application also addressed default service required by § 56-585 E of the Code of Virginia.

The details of these and other proposals are set out in Shenandoah's application. Interested parties are encouraged to review the application. The application may be reviewed in the Commission's Document Control Center, Office of the Clerk of the Commission, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, during Commission business hours. Copies of the application may also be reviewed at the Cooperative's office in Mount Crawford, Virginia, during regular business hours. Upon receipt by counsel to Shenandoah, M. Renae Carter, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030, of a written request, the Cooperative shall provide a copy of the application.

On or before April 10, 2001, any interested person wishing to comment on Shenandoah's functional separation application, Case No. PUE000748, or desiring a hearing in this matter, shall file an original and fifteen (15) copies of such written comments and request for hearing with Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall refer to Case No. PUE000748. A copy of such comments or request for hearing shall simultaneously be sent to counsel for

Shenandoah, M. Renae Carter, Esquire,
McGuireWoods LLP, One James Center, 901 East
Cary Street, Richmond, Virginia 23219-4030.
Any request for hearing shall detail reasons
why such issues cannot be adequately
addressed in written comments. If no
sufficient request for hearing is received,
a formal hearing with oral testimony may not
be held, and the Commission may make its
decisions based upon papers filed in this
proceeding.

By Order for Notice and Hearing of
January 19, 2001, in Case No. PUE000747, the
Commission scheduled a public hearing on
Shenandoah's application for a general rate
increase on June 26, 2001, at 10:00 a.m., in
Richmond, Virginia. Notice of that hearing
was published in newspapers. The Commission
has canceled the hearing set for June 26,
2001, and rescheduled the hearing. The
public hearing on the application for a
general rate increase, Case No. PUE000747,
is now scheduled for July 24, 2001, at 10:00
a.m., in the Commission's second floor
courtroom located in the Tyler Building,
1300 East Main Street, Richmond, Virginia.

Individuals with disabilities who
require an accommodation to participate in
the hearing should contact the Commission at
least seven (7) days before the scheduled
hearing date at 1-800-552-7945 (voice) or
1-804-371-9206 (TDD).

Any person desiring to make a statement
at the public hearing concerning the
application need only appear in the
courtroom at 9:45 a.m. on the day of the
hearing and identify himself or herself to
the Bailiff as a public witness.

SHENANDOAH VALLEY ELECTRIC COOPERATIVE

(13) On or before March 12, 2001, Shenandoah shall file
with the Clerk proof of the newspaper publication required by

ordering paragraph (12) and proof of service required by ordering paragraph (5), including the name, address, and title of each person served.

(14) Except as modified herein, all other provisions of our order of January 19, 2001, in the Rate Increase Application, Case No. PUE000747, as corrected by order of January 24, 2001, remain in effect.